

Extrinsic Reward System: A Stimulant of Employees' Performance among Selected Tertiary Institutions in Nigeria (Comparative Study)

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Abstract

The study examined the effect of reward management on employee performance of tertiary institutions in Ekiti State with evidence from extrinsic factors. A descriptive survey research design was adopted for the study. The population of the study was the staff of the selected Universities in Ekiti State. The sample size was 362 using Yamane sampling Model. Primary data used for the study were gathered through structured questionnaire. Data gathered were analyzed using hierarchical regression. The result showed that extrinsic motivation positively affects employee performance as it was significant on employee performance at 0.05% level of significance and the study also shows that there is significant difference between the reward system and employee performance in public and private university Thus, the study concluded, that reward management statistically and significantly affects employee performance in Ekiti State.

Keywords: Extrinsic, Reward system, Organization and Performance

1.0 Introduction

It has been believed commonly that reward system assist organizations in keeping and retaining the efficient and competent employees. From among many other factors that motivate individuals in the organization, reward systems have been identified as the most important factor to attain high level of Job satisfaction and best employee productivity (Armstrong, 2012). In recent times, organizations require best reward system that motivate high performers' employee to do more and stimulate productivity from low performing employee.

Shields, Brown, Kaine, Dolle-Samuel, North-Samardzic, McLean, and Plimmer, (2015) stated that reward system should be based upon the differing needs of employees and should be the combination of monetary and non-monetary incentives. Rewarding is an essential incentive tool and an unbreakable motivator to achieve the organizational performance. In addition, today, it has been adopted by different organizations in both public and private sections. For instance, doing more with reward is very important to elevate self-esteem and to establish kindness between employee and their employers (Bowen, 2000). In the world today, most universities have suffered

the consequences of poor performance, low staff morale and high employee turnover due to poor or lack of effective reward management programs (Kirunda, 2010). Reward management is a factor that needs to be looked into. This is necessitated by the various murmurs and strikes that occurs occasionally owing to unequal remuneration packages. A good number of these Universities have poor or no reward management structure that often result to uncommitted employees.

Danish and Usman (2010) point out that employees are fully motivated and satisfied with their jobs when their needs are met and this may lead to increased organizational performance and commitment. This implies that employees' performance and commitment is based on the ability of an organization to recognize and reward its employees in respect to their input. Nonetheless, although, a lot of empirical studies have been carried out on reward system of organizations. Works such as Gohara, Ahmadloo, Boroujeni and Hosseinipour (2013), Ndungu (2017) in Kenya, Hafiz, and Muhammad (2006), Qaiser, Khalid, Usman, Iram and Afzal (2015) in Iran, Nnaji-Ihedinmah and Egbunike (2015) in Nigeria, Noor and Gichinga (2016) in Mogadishu have come to the conclusion that reward is an important factor that induces satisfaction in employee. However, it is evident that all of these studies have not been able to compare the effect of reward system among two organizations or institutions. So therefore it is pertinent that knowledge needs to be filled in this area. Therefore, the purpose of this study is to fill this gap by determining the effect of reward management strategy on employee performance in universities in Ekiti State, Nigeria and to understand if there is any difference between the reward system and performance of employees of private and public universities in Ekiti State.

2.0 Literature Review

Hafiz, and Muhammad (2006) found that Organizational reward system, organizational commitment and experience, in terms of service length, have positive impact on job satisfaction and then job satisfaction also has a positive and significant relationship with the perception of employee performance. In other words, Qaiser, Khalid, Usman, Iram and Afzal (2015) revealed that intrinsic rewards have positive impact on task performance of employees working in banks and motivation and its dimensions. While Njoroje and Kwasira (2015) pointed out in their findings that there was a strong relationship on compensation and reward on employee performance in the county government of Nakuru. Ibrar and Khan (2015) found that there is positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Most of the organizations implement rewards system to increase the job performance and job satisfaction. Likewise, Güngör (2015) revealed that the study bring out a positive relationship between the perceived features of the reward system and extrinsic motivation. According to their findings, intrinsic motivation is not affected by the design of monetary compensation, but by promotion opportunities. Furthermore, Bello and Adebajo (2014) revealed that there is a significant relationship between employee's performance and salary package, employee job allowances and performance and in-service training and employee's performance. Also, Edirisooriya (2014) in his topic "Impact of Rewards on Employee Performance: With Special Reference to Electri Co." Where he used pearson's correlation analysis found that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance.

Korir and Kipkebut (2016) in their study “The Effect of Reward Management on Employees Commitment in the Universities in Nakuru County-Kenya” where Pearson’s Correlation Analysis was used revealed that financial reward management practices collectively have significant effect on organizational commitment. Khan, Waqas and Muneer (2017) also in their study “Impact of Rewards (Intrinsic and extrinsic) on Employee Performance” where Correlation and Regression test was used as their analysis method found that there is a strong relationship between both type of rewards and on employee performance.

Gohara, Ahmadloo, Boroujeni and Hosseinipour (2013) in their research work “The Relationship Between Rewards and Employee Performance” using Multiple Regression technique shows that internal rewards have more powerful effects on employees performance than the extrinsic rewards.

Ndungu (2017) in his research on “The Effects of Rewards and Recognition on Employee Performance in Public Educational Institutions” using Pearson Product Moment Correlation revealed employees in Kenyatta University are less motivated by financial and recognition rewards and the variables contribute to a small extent in improving their job performance.

Wambugu and Ombui (2013) in their research “Effects of Reward Strategies on Employee Performance at Kabete Technical Training Institute, Nairobi, Kenya” where Pearson Product Moment Correlation was used as their method of analysis found that there is a positive significant relationship between the reward strategies and employee work performance.

Nnaji-Ihedinmah and Egbunike (2015) in their study “Effect of Rewards on Employee Performance in Organizations: A Study of Selected Commercial Banks in Awka Metropolis” found that there is a significant difference on the effects of intrinsic and extrinsic rewards on employee performance.

Noor and Gichinga (2016) on “Effects of Reward Strategies on Employee Performance in Remittance Companies in Mogadishu, Somalia” revealed that extrinsic reward strategy, intrinsic reward strategy, and contingent reward strategy have significant and positive effects on employee performance of remittance companies in Mogadishu, Somalia.

Tze San and Boon (2012) on “Reward System and Performance Within Malaysian Manufacturing Companies” Found that implementation of extrinsic rewards is proved to have an adverse relationship with financial performances of organization.

Conceptual Clarification

Theoretical Framework

These theories try to explain the role of rewards management in motivating employees so as to increase performance. In this study, equity theory was adopted to underpin the work.

3.0 Methodology

For the purpose of this study, descriptive research design was adopted. Descriptive research design method is the only research design suitable for a decision where limited knowledge exists. It is

concerned with discovering the general nature of the problem and the variables that relate with it. The study population consists of all the staff in Ekiti State University and Afe Babalola University, Ekiti State. However, the total population of Staff of Ekiti State University is 2450 while in Afe Babalola University is 1395. Therefore the total population for this research work is 3845.

Sources and Method of Data Collection

For any research work, there are two types of sources of data which include the primary and secondary sources of data. The primary data are data collected for the purpose of a primary reason and often collected through questionnaire, interview, and observation. While secondary data are collected from annual reports, statistical bulletin, journals and institutional record. For this research work, the type of data that was used is primary data which was collected through administering of a well structured questionnaire.

Methods of Data Analysis and Measurement of Variables

The method of data analyses that was adopted for this research work is Hierarchical regression. Therefore, the hierarchical regression line is stated below:

$$Y_{ij} = \beta_0j + \beta_1jX_{ij} + \beta_2jX_{ij} + \beta_3jX_{ij} + r_{ij}$$

$$Y_{ij} = F'(X_{ij})$$

Y_{ij} = (Employee Performance) Dependent Variable

X_{ij} = (Reward Management Strategy) Independent Variable

β_0j = Intercept/ Constant

$\beta_1j, \beta_2j, \beta_3j$ = Regression Coefficient

EP = F' (IR, ER)

Where:

IR..... Intrinsic Reward

IR = F' (Atm, Pdm, Acn, Pm, Lo)

Atm= Autonomy

Pdm = Participation in Decision Making

Acn = Advancement

Pm = Promotion

Lo = Learning Opportunities

ER..... Extrinsic Reward

ER = F' (Pr, Pl, Bn, Js, Fb)

Pr = Pay Rise

Pl = Paid Leaves

Bn = Bonuses

Js = Job Security

Fb = Fringe Benefits

r_{ij} = Random Error

4.0 Results and Discussion

Investigate the influence of extrinsic reward on employee performance of Tertiary Institution Employee's in Ekiti State. To achieve the stated objective, a multiple regression (hierarchical) was developed.

Table 1.1: A Summary of the Hierarchical Multiple Regression Analysis of the Interactive Influence of Extrinsic Reward on Employee Performance

Model	R	R	Adjusted R ²	Std. Error of the Estimate
1	.439	.193	.178	1.040

*p<0.05

Source: Author's Computation using SPSS, 2018.

The model summary in Table 1.1 gives the R= 0.439 which is the multiple correlations of the five predictors and the employee performance. Again, the closeness of the R² and adjusted R² (0.193-0.178) which is 0.015 1.5% demonstrated the moderate positive significant relationship between the predictors variable and employee performance. I.e. it shows that there is moderate positive influence between extrinsic reward and employee performance. Also, this model is predicting 19.3% of the variance in employee performance using all predictors simultaneously; meaning that 19.3% of the variance in employee performance can be predicted from the extrinsic reward offer to the employee in Ekiti State Tertiary Institutions, which is the combination of Career Assurance (CA), Leave Pay (LP), Regular Bonus (RB), Working Condition (WC) and Fringe Benefits (FB).

Table 1.2: Multiple Regression Analysis Showing Significance of Predictors on Employee Performance

Model	Sum of Square	df	Mean Square	F	Sig
Regression	71.878	5	14.376	13.286	.000
Residual	300.809	278	1.082		
Total	372.687	283			

*p<0.05

Source: Author's Computation using SPSS, 2018.

a. Dependent Variable: Employee Performance (EP)

b. Predictors: (Constant), Career Assurance (CA), Leave Pay (LP), Regular Bonus (RB), Working Condition (WC) and Fringe Benefits (FB)

Considering Table 1.2, which is at 5 percent confident limit, F statistic revealed that the whole regression model is statistically significant in terms of its goodness of fit, which showed that intrinsic reward is capable of influencing employee performance of tertiary institutions in Ekiti State as showed by (F5, 283)=13.286, P<0.05. Hence, this revealed that intrinsic reward of the tertiary institutions is capable of influencing employee performance.

1.3: Hierarchical Multiple Regression Showing Contributions of Extrinsic Reward to Employee Performance.

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
(Constant)	1.569	.309		5.070	.000
Career Assurance	.160	.071	.137	2.236	.026
Leave Pay	.194	.056	.102	1.876	.008
Regular Bonus	.178	.064	.207	2.254	.006
Working Condition	.195	.067	.202	2.923	.001
Fringe Benefit	.272	.054	.182	3.163	.000

Source: Author's Computation using SPSS, 2018.

Table 1.3 shows the contribution of each of the predictors. In this case, Fringe Benefits had highest contribution with Beta = .272, $p < .05$ and t -value = 3.133, followed by Working Condition with value = .195, $p < .05$ and t -value = 2.923, Regular Bonus have Beta value = .178, $p < .05$ and t -value = 2.254, Career Assurance have Beta value = .160, $p < .05$ and t -value = 2.236, While Leave Pay on ground contributed less with Beta = .194, $p < .05$ and t = 1.876. All their contributions were statistically significant to Employee Performance. Hence, the null hypothesis is rejected. And we accept the alternative hypothesis.

Investigate the difference between reward system and performance in private and public universities. To achieve the stated objective, a multiple regression (hierarchical) was developed.

Table 1.4: A Summary of the Hierarchical Multiple Regression Analysis of the Interactive Difference of Reward System and Employee Performance in Private and Public Universities

Model	R	R	Adjusted R ²	Std. Error of the Estimate
1	.450	.202	.197	.948

* $p < 0.05$ Source:

Author's Computation using SPSS, 2018.

The model summary in Table 1.4 gives the $R = 0.450$ which is the multiple correlations of the two predictors and the employee performance. Again, the closeness of the R^2 and adjusted R^2 (0.202-0.197) which is 0.005 0.5% demonstrated the moderate positive significant relationship between the predictors variable and employee performance. i.e it shows that there is moderate positive influence between private and public reward system and employee performance. Also, this model is predicting 20.2% of the variance in employee performance using all predictors simultaneously; meaning that 20.2% of the variance in employee performance can be predicted from the reward

system offer to the employee in private and public universities, which is the combination of Public University (PBU) and Private University (PRU).

Table 1.5: Multiple Regression Analysis Showing Significance of Predictors on Employee Performance

Model	Sum of Square	df	Mean Square	F	Sig
Regression	64.122	5	32.061	35.644	.000
Residual	252.751	278	.899		
Total	316.873	283			

*p<0.05

Source: Author's Computation using SPSS, 2018.

a. Dependent Variable: Employee Performance (EP)

b. Predictors: (Constant), Public University (PBU) and Private University (PRU)

Considering Table 1.5, which is at 5 percent confident limit, F statistic revealed that the whole regression model is statistically significant in terms of its goodness of fit, which showed that there is significant difference between reward system in public and private university and how they affect employee performance of tertiary institutions in Ekiti State as showed by (F5, 283)=35.644, P<0.05. Hence, this revealed that there is significant difference between the reward system and employee performance in public and private university.

1.6: Hierarchical Multiple Regression Showing the Difference between Private and Public Reward System on Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.199	.276		4.336	.000
Public University	.342	.053	.345	6.403	.000
Private University	.223	.050	.242	4.482	.000

Source: Author's Computation using SPSS, 2018.

The Table 1.6 shows the contribution of each of the predictors. In this case, Public University had highest contribution with Beta = .342, p<.05 and t-value = 6.403, While Private University contributed less with Beta = .223, p<.05 and t = 4.482. All their contributions were statistically significant to Employee Performance. Hence, the null hypothesis is rejected. And we accept the alternative hypothesis.

Discussion of Findings

Extrinsic Reward

From the results, it showed that extrinsic reward in tertiary institutions has a moderate influenced on employee. The findings are consistent with Bari *et al* (2013) on the impact of non-financial rewards on employee attitude and to get information about the factors which affect their performance at workplace in the business institutes of Karachi in Pakistan. However, the results showed that feedback to employees, freedom, career development plan, and valuation of employees, learning programs, open & comfortable work environment and good supervisory relations, all these factors positively impacts employee attitude and performance in the workplace. In the same vein, Meta, *et al* (2015) examined do monetary reward and job satisfaction influence employee performance? evidence from Malaysia. They found that there was a significant direct effect of monetary motivation on employees' job performance, and job satisfaction partially mediated the relationship between monetary motivation and employees' job performance. Moreso, Danish, Khan, Shahid, Iram Raza, Asad, Humayon (2015) examined the effect of reward management system, especially intrinsic rewards on task performance with the mediating role of extrinsic and intrinsic motivation of employees working in the banks in the capital of Punjab, Lahore, Pakistan. Again, Irshad (2016) investigated the impact of extrinsic rewards on employees' performance in United Arab Emirate. Finally on this part, Hameed, Ramzan, Zubair, Ali and Arslan (2014) examined the impact of compensation on employee performance: empirical evidence from Banking Sector of Pakistan.

The differences between these findings may be attributed to what the employees from different study areas considered important to them in term of extrinsic reward. Also, it may be traced to the variances in the results derived from various institutions. Beyond, the current study equally showed that career assurance, leave pay, regular bonus, working condition and fringe benefits were other variables of extrinsic reward that significantly influenced employee performance. Therefore, the recent study findings of the influence of extrinsic reward on employee performance in Ekiti State Tertiary Institution is in line with the previous researchers' outcomes from their various research locations. In view of this, priority must be given to extrinsic reward as it goes a long way in influencing employee performance currently in Nigeria as a whole.

Reward System in Public and Private Universities

From the results, it showed that there is difference between reward system and employee performance in private and public university in Ekiti State. The findings are consistent with Sharma (2013) examined the Impact of various components of compensation on the motivation level of employees: a comparative study of selected Indian Public and Private sector Banks. The results of the study reveal that a significant difference exists in the motivation level of the employees of public and private sector at different managerial levels with regard to various compensation components. Based on the findings of the study, some suggestions for the public and private institution has been given which can be useful in designing the compensation structure of the employees.

5.0 Conclusion and Recommendations

Based on the findings of this study, extrinsic reward was used to proxy reward system. It was found that extrinsic reward system has a moderate significant effect on employee performance all at 0.05 level of significance. From the findings, alternate hypotheses were accepted while null hypotheses were rejected thus concluded that reward system is positively related to employee performance particularly among tertiary institutional workers in Ekiti State which is in accordance to the reviewed literatures in this study. The study also conclude that differences exists in the motivation level of the employees of public and private sector with regard to various compensation components.

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